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PP RUEHCN RUEHGH  
DE RUEHBJ #0429/01 0190414  
ZNR UUUUU ZZH  
P 190414Z JAN 07  
FM AMEMBASSY BEIJING  
TO RUEHC/SECSTATE WASHDC PRIORITY 3959  
RUEHC/DEPT OF LABOR WASHDC PRIORITY  
INFO RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/USDOC WASHDC  
RUEHSH/AMCONSUL SHENYANG 7433  
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SUBJECT: Embassy Visit to Mine Safety Program Site

REF: 06 Beijing 23804

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1. (SBU) Summary. The United States Department of Labor's (USDOL) program on Mine Safety and Health in China is proceeding well. Both the State Administration for Work Safety (SAWS) and the Yangquan Coal Group (YCG), the project's industrial partner, report that the project has opened their eyes to what is achievable in the area of mine safety, and has inspired them to higher standards in their respective regulatory and management operations. The USDOL project has produced an excellent demonstration effect in terms of technical measures to improve mine safety. In planning future cooperation on mine safety, the USG should also examine ways to address the governance problems (ref) that lie at the root of China's mine safety problem. End summary.

2. (SBU) On November 21-22, Laboff, Econoff and Labor Assistant visited the Xinjing mine in Yangquan, Shanxi Province. The Xinjing mine, owned by YCG, is the "model mine" in which participants in the USDOL project put new mine safety management and training programs into practice. Laboffs visited the underground mine safety training center, toured other facilities at the Xinjing mine, and discussed the USDOL program with SAWS and YCG management. SAWS and YCG management both consider the program highly successful.

3. (SBU) YCG reported that it has sent 18 mine safety trainers to receive training from United States consultants at the North China Institute of Science and Technology (NCIST) in Beijing. Those 18 trainers in turn have trained over 1000 miners using newly revised materials. United States consultants have provided mine safety training sessions for management personnel, and Chinese mine managers have traveled to the United States on study tours to the Mine Health and Safety Administration and several operating coal

mines. In September 2006, YCG organized training for 88 mine rescue workers at NCIST. YCG has also implemented new safety programs, introduced by USDOL-funded consultants into its own operations at its own expense, such as a system in which all YCG employees must pass computerized mine safety knowledge examinations keyed to their specific duties once a month. YCG is also in the early stages of installing a pilot electronic locator system for all mine workers at the Xinjing mine.

15. (SBU) YCG executives said the USDOL program has provided valuable lessons based on international and United States mine safety experience on legal mechanisms, mine safety awareness, and mine accident prevention, and has helped them see the deficiencies of Chinese practices more clearly. YCG reports that mine safety awareness and the quality of training has markedly improved at their mines as a result of the project. YCG said exposure to new concepts in mine safety has enabled them to achieve new management breakthroughs, through, for example, a salary incentive program to track and reward the safety performance of individual workers. YCG said they were inspired by their visits to the United States to close the gap with American mines in terms of safety equipment, gas extraction and production methods. YCG reported that it has produced 5.8 million tons of coal at the Xinjing mine so far in 2006 without a single fatality, compared to two fatalities in 2005. One mine manager told Laboff that the one concept introduced through the USDOL project that impressed him most was that all accidents can be avoided. This

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is not the usual operating assumption of Chinese mines, he said.

16. (SBU) Laboff separately asked YCG executives and SAWS officials what the USDOL program provides, in terms of training and information, that the Chinese Government or coal industry could not obtain on its own. YCG executives said that although mine safety consultant services and training are available commercially, the main issue is knowing what to look for. YCG is well aware that United States mining and mine safety technology is the best in the world, they said, but that they would not be aware of United States management concepts without the USDOL program. To independently achieve United States mine safety management standards would take much longer. By way of example, one YCG executive added that pre-extraction of coal bed methane is required by law in the United States, but not in China, so China has no little domestic experience in this area. SAWS told Laboff that the value of the USDOL program is in educating mine managers about what can be achieved in the area of mine safety and how they can benefit from integrating higher safety standards into their operations. The next step, SAWS officials said, is to transfer the lessons learned at YCG to other mines throughout China.

17. (SBU) Comment: The USDOL program is a catalyst, bringing SAWS and industry together on OSH issues in a manner that would not likely happen without USG involvement. SAWS and YCG showed strong interest in further cooperation, and we should encourage them to continue to engage United States consultants directly after the end of the USDOL program in 2007. However, YCG is not typical of the Chinese mining sector as a whole--YCG suffered very few mine accidents even before the USDOL program, while the average coal mine fatality rate for China is 100 times that of the United States. The problem of mine safety in China is not just a question of know-how, but one of

governance. According to SAWS, small, poorly-regulated mines that account for one third of China's coal production are responsible for two thirds of coal mine fatalities. In addition, Chinese labor and legal experts at a conference on Mine safety in November (ref) noted that a weak legal framework, inadequate resources, corruption and a lack of accountability are fundamental problems that thwart China's efforts to enforce even its existing standards. The USDOL project has produced an excellent demonstration effect on the technical side. In planning future cooperation on mine safety, the USG should also examine ways to address the governance problems that lie at the root of China's mine safety problem.

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